

## Clearing Notice SIX x-clear Ltd

### Changes in Margin Rates

#### 1.0 Overview

The Initial Margin calculation in SECOM is based on automatically assigning a risk bucket to each clearing-eligible security depending on its realized historical returns (VaR approach). All securities allocated to a particular risk bucket receive a corresponding margin rate. A default risk bucket is allocated to securities without sufficient historical price data or where the necessary VaR cannot be calculated.

#### 2.0 Effective date

1 April 2021.

#### 3.0 Impact on Members

The margin impact on an overall level is limited as the two recalibrations have a similar but adverse effect on margins.

The changes in the Clearing Terms will be published on the SIX x-clear website by 1 April 2021.

#### 4.0 Details

The risk rating coefficient has been designed to increase the amount of defaulter-pay resources rather than mutualized resources. It depends on the Member's credit rating and has a direct bearing on the Initial Margin requirements. The risk rating coefficient is the factor by which the Initial Margin is multiplied to arrive at the Initial Margin requirement.

##### 4.1 Current Margin Rates and Risk Rating Coefficients

The current risk bucket structure for Equities & ETFs is as follows:

Risk bucket	Equities & ETFs	
	VaR range %	Initial Margin %
1	0 to 5	3.5
2	5 to 10	7.5
3	10 to 15	12.5
4 (default)	15 to 20	17.5
5	20 to 25	22.5
6	25 or more	27.5

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The current calibration of the risk rating coefficients is as follows:

Rating			Risk rating coefficient
Standard & Poor's	Moody's	FITCH	
AAA to A-	Aaa to A3	AAA to A-	1.00
BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-	1.50
BB+ to BB-	Ba1 to Ba3	BB+ to BB-	2.00
B+ or lower	B1 or lower	B+ or lower	determined case by case

### 4.2 Future Margin Rates and Default Risk Bucket

As a result of an external model validation, SIX performs a margin redistribution from the risk rating coefficient component to the equity margin parameters. This is achieved by removing the jumps in the applied risk rating coefficient and adapting the margin rates for the equity ISINs as shown below.

The new risk bucket structure for Equities & ETFs will be as follows:

Risk bucket	Equities & ETFs	
	VaR range %	Initial Margin %
1	0 to 5	3.8
2	5 to 10	8.8
3	10 to 15	13.8
4 (default)	15 to 20	18.8
5	20 to 25	23.8
6	25 or more	28.8

The new calibration of the risk rating coefficients will be as follows:

Rating			Risk rating coefficient
Standard & Poor's	Moody's	FITCH	
AAA to A-	Aaa to A3	AAA to A-	1.00
BBB+	Baa1	BBB+	1.25
BBB	Baa2	BBB	1.50
BBB-	Baa3	BBB-	1.75
BB+ to BB-	Ba1 to Ba3	BB+ to BB-	2.00
B+ or lower	B1 or lower	B+ or lower	determined case by case

### 5.0 Contacts

Please contact your respective Relationship Manager or the Risk Operations team for any questions related to this matter.

All contact details are listed at [www.six-group.com](http://www.six-group.com) > Post-Trade > CCP Clearing > Contact > Post-Trade Contact Finder > Risk Management Operations Zurich.

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In this context, SIX x-clear Ltd draws the Members' attention to **clause 7.1, chapter 17.0 and clause 24.1** (liability) of the Rulebook of SIX x-clear Ltd stipulating that the Member is responsible for compliance with the applicable laws (in particular domestic and foreign tax, foreign exchange and stock market regulations as well as with company law and articles of association) with respect to the Clearing services obtained from SIX x-clear Ltd.